

Commercial

Brexit Update – trade deals

It's now September, which means that we are now just over six months away from the date that the UK will leave the European Union.

Q: So what's happening now?

A: The chances of us leaving with no deal is increasing by the day. The government is standing by its "Chequers plan", arguing that it is the only realistic option on and that it is now too late for any alternative. Michel Barnier, the EU's chief negotiator, has substantial reservations: he has suggested that to adopt the proposal from the UK government would spell the "end" to the European project. He is concerned that the proposals in relation to border controls and tariffs may be "an invitation to fraud." Negotiations are continuing between Monsieur Barnier and the new Brexit Secretary, Dominic Raab. There are significant hints from both sides that negotiations will have to continue beyond the October deadline, into November.

Q: What does no deal mean?

A: If no deal can be reached before November, then the UK will leave the European Union on 29 March 2019. The UK will then become a 'third country' with regard to the EU, at which point it will not benefit from any association with that bloc. The UK will be the only country in the world without any trade deals, and will lose the ability to trade freely with the single market or any of the other countries which do have trade deals with the EU.



Q: So with no trade deals we would be trading under World Trade Organisation rules?

A: That's right; but as with most things to do with Brexit, it is a little more complicated than that. Although the UK is a member of the WTO in its own right, we currently trade under the WTO EU Schedule, which sets out the tariffs that are charged on importing various types of goods by all 28 member states. To trade on WTO rules the UK would need its own Schedule. The UK submitted a draft Schedule, substantially copying the EU Schedule. However, all 164 WTO member countries need to unanimously agree that document. Currently, at least five countries have opposed it, including the United States, South Africa and New Zealand. If the UK schedule is not agreed, the UK will be in uncharted territory as, if the UK is trading on an uncertified WTO schedule, it will not be clear which rules and tariffs will apply to imports and exports. The Irish border and the need for there to be an "open" border may conflict with WTO rules.

In reality, the imperative of continued trade will inevitably find a way. Free trade agreements will be reached. This does, however, serve to illustrate the complexities caused by Brexit and provides a timely example of the way in which objectors - mostly non-EU countries - will seek to gain from the break up.

Q: What should I be doing about this?

A: It is inevitable that leaving with no Brexit deal in place will have ramifications for business. Now is the time to plan strategically, to ensure that your organisation is ready: not just to get through Brexit, but to thrive. 3HR is running a seminar on 13 September 2018 on this topic. There are limited seats still available, so please book early to avoid disappointment.

Should you require any assistance on the implications of Brexit or any other commercial area please refer to our 3HR Commercial Law team which can advise you.

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